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USTR FOR DUSTR BHATIA AND RDEHAAN

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SUBJECT: DUSTR BHATIA'S MEETING WITH MTI MINISTER LIM

**¶1.** (SBU) Summary. Singapore Minister for Trade and Industry LIM Hng Kiang told Deputy U.S. Trade Representative Karan Bhatia during a March 18 meeting that the WTO's "big four" economies needed to work together to finalize a package that could be sold to other more resistant member economies. He argued that, although progress on Doha had been limited, overall positive dynamics among key negotiating teams boded well for achieving consensus. Minister Lim advocated pursuit of a sectoral approach at the upcoming April APEC meetings, and pushed for greater emphasis on customs facilitation. He welcomed U.S. efforts to pursue free trade agreements (FTAs) with South Korea and Malaysia, observing that the determination and negotiating skills of South Korean Trade Minister Kim and Malaysian Trade Minister Rafidah would prove essential in the face of anticipated domestic resistance. He voiced optimism on Indonesia, noting recent efforts by the GOI and GOS to resolve investor disputes. In terms of dealing with the rise of China and India, Minister Lim observed that the key challenge for Southeast Asia was how to implement the reforms necessary to take full advantage of shifting trade and investment flows. End Summary.

Doha Agenda

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**¶2.** (SBU) Noting that the March 10-11 WTO meetings in London had yielded limited results, DUSTR Bhatia said that the USG valued Singapore's continued support of WTO objectives and its role as a key proponent of the Doha Round in the region. He lamented Asia's lack of engagement relative to the weight of some of its economies, especially China and India. Minister Lim said it was imperative that the "big four" WTO economies (United States, EU, Japan, and Canada) work together to finalize a package that could then be "sold" to more reluctant members. Lim noted that the broad strategy for Doha was still viable and that Singapore had its hopes pinned on the upcoming April meetings designed to move forward the negotiations.

**¶3.** (SBU) Minister Lim voiced optimism based on how WTO Director General Pascal Lamy had handled the December 2005 Hong Kong negotiations despite their minimal progress. He suggested that recent dynamics of the "green room" boded well for achieving consensus. DUSTR Bhatia noted that USTR Portman thought the APEC Statement issued in conjunction with the Hong Kong ministerial meetings had been helpful, and that we wanted to pursue something similar linked to the April meetings.

14. (SBU) Minister Lim agreed with DUSTR Bhatia that recent efforts to incorporate actual numbers into modeling simulations were yielding positive results. DUSTR Bhatia cautioned, however, that some countries like Brazil and India were resistant to non-agricultural market access (NAMA) initiatives. He also expressed concern that, without progress on agriculture, increasing protectionist sentiment in Washington could circumscribe the USG's own maneuverability.

APEC

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15. (U) Minister Lim said that business groups were urging Singapore to support a sectoral approach at the April APEC meetings in Vietnam. He suggested building momentum in this direction by adopting a strategy similar to that used previously for the information technology sector. DUSTR Bhatia noted that while there was some support for a sectoral approach in Geneva, this was not the case in most Asian countries; Singapore was an exception. He pointed out that part of the problem was a lack of awareness among certain trade ministries. Minister Lim said that APEC should target customs facilitation as a priority; DUSTR Bhatia agreed. He explained that these efforts dovetailed with ASEAN's efforts to develop uniform customs standards.

U.S. Regional Trade Initiatives

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16. (U) Minister Lim said that Singapore welcomed U.S. efforts to enter into FTA negotiations with South Korea and Malaysia, noting that this was a step in the right direction for both APEC and ASEAN. DUSTR Bhatia explained that the Administration

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believed more focus needed to be given to Asia on trade issues; the expiration to the President's Trade Promotion Authority in July 2007 would require a concerted effort on both sides to conclude agreements before this deadline.

South Korea FTA

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17. (SBU) Minister Lim said that he was pleased that South Korea, through FTA negotiations with the United States as well as with ASEAN, was attempting to reduce its growing dependence on the Japanese and Chinese economies. He praised South Korean Trade Minister Kim Hyun Chong for pursuing free trade objectives despite considerable domestic resistance.

Malaysia FTA

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18. (SBU) With regard to Malaysia, Minister Lim emphasized that Singapore strongly supported any ASEAN partner that entered into FTA negotiations. He commented that Trade Minister Rafidah Aziz was an excellent negotiator and that she would prove essential to a successful outcome. Asked if Prime Minister Badawi would allow Minister Rafidah to be the key decision maker, Minister Lim replied that it would depend on the scope of the FTA: if the United States insisted on a "gold standard" FTA comparable to the the U.S.-Singapore FTA, PM Badawi would need to intervene to push through required (and controversial) legal and regulatory reforms in areas such as bumiputra (ethnic Malay) ownership and labor requirements, automobiles, and government procurement.

Indonesia

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19. (U) Minister Lim said that he was upbeat about Indonesia. Vice President Jusuf Kalla and Singapore Foreign Minister George Yeo had recently met in Batam to resolve investor difficulties that were symptomatic of problems faced by investors elsewhere in Indonesia, he said. The GOI understood

that it needed to change its tax, investor and labor laws if it were to generate the 2.5 million new jobs it needed annually.

China

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¶10. (U) Minister Lim commented that implementation of the China-ASEAN FTA agreement on goods was proceeding smoothly. Trade negotiators would meet the week of March 20 to further discuss the services component. He noted that China was Singapore's top investment destination, and trade was growing by approximately 25 percent annually. Asked for his assessment of China's push to develop its more remote western provinces, Minister Lim said that Singapore investors were doing well in these provinces and that benefits were beginning to trickle down to the smaller cities and townships. Although Minister Lim admitted some concern about the large flow of foreign direct investment (FDI) to China and India relative to ASEAN, he emphasized that FDI flows were not a zero-sum game; ASEAN's growing links to both economies would ensure increasing integration and new jobs growth. Minister Lim concluded that the challenge for Southeast Asia was how best to implement reforms to take full advantage of evolving regional trade and investment flows.

¶11. (U) DUSTR Bhatia cleared this message.

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